

**Okmulgee County Rural Water District No. 6
Mounds, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2022

Audited by

**BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

**Okmulgee County Rural Water District No. 6
Mounds, Oklahoma**

Board of Directors

December 31, 2022

BOARD OF DIRECTORS

Chairman

Glenn Shoaf

Vice-Chairman

Tom Fuller

Treasurer

Tim Thornton

Secretary

Mary Ann Seago

Members

Dave Miller

Phillip Olden

Daryle Fox

MANAGER

Rick Boone

Office Supervisor

Jan Caughron

Okmulgee County Rural Water District No. 6
Mounds, Oklahoma
December 31, 2022

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3
Management's Discussion and Analysis	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	10
Disposition of Prior Year's Significant Deficiencies	12
Schedule of Audit Results	13
<u>COMBINED FINANCIAL STATEMENTS:</u>	
Statement of Net Position	14
Statement of Revenues, Expenses and Changes in Net Position	15
Statement of Cash Flows	16
Notes to Financial Statements	17
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Schedule of Water Rates and Customers	23



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Okmulgee County Rural Water District No. 6
Mounds, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Okmulgee County Rural Water District No. 6 (the District), Mounds, Oklahoma, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2022, and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year “memorandum only” comparative information and the supplementary information on page 23 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

January 27, 2023

RURAL WATER DISTRICT NO. 6, OKMULGEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

Our discussion and analysis of the Rural Water District No. 6, Okmulgee County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the District's financial statements that begin on page 14.

FINANCIAL HIGHLIGHTS

- The District's total operating revenues exceeded total operating expenses by \$547,969. Overall, the District's cash and cash equivalents increased by \$378,293 in the current fiscal year.
- The District earned \$2,147 in interest in 2022 compared to \$2,037 in 2021.
- The District's membership numbers continued to increase, with over 3,660 members at year-end.
- The District continued to pay down their one outstanding loan with Rural Development.

Using This Report

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

Basis of Accounting

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The Financial Statements

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District’s net position and the changes in them. You can think of the District’s net position – the difference between assets and liabilities – as one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District’s water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

Net Position, and Changes in Net Position

The District’s Net Position was higher in 2022, increasing \$672,583, from \$5,964,088 to \$6,636,671. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District’s business-type activities.

Table 1 – Net Position:

	<u>2022</u>	<u>2021</u>	<u>Variances</u>
Current and other assets	\$ 4,268,969	3,652,836	616,133
Capital assets, net	5,221,634	5,319,094	(97,460)
Total Assets	<u>\$ 9,490,603</u>	<u>8,971,930</u>	<u>518,673</u>
Current liabilities	\$ 117,804	208,120	90,316
Long-term liabilities	2,736,128	2,799,722	63,594
Total Liabilities	<u>\$ 2,853,932</u>	<u>3,007,842</u>	<u>153,910</u>
Net Invest. In capital assets	\$ 2,421,915	2,457,888	(35,973)
Restricted	2,081,059	1,867,914	213,145
Unrestricted	2,133,697	1,638,286	495,411
Total Net Position	<u>\$ 6,636,671</u>	<u>5,964,088</u>	<u>672,583</u>

Net Position of the District increased by 11.3 percent (\$6,636,671 compared to \$5,964,088). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$1,638,286 to \$2,133,697.

Table 2 – Changes in Net Position:

	<u>2022</u>	<u>2021</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 2,833,501	2,522,612	310,889
Refunds/Reimbursements	59,728	41,291	18,437
Benefit unit sales	218,730	138,240	80,490
Interest	2,147	2,037	110
Total Revenues	<u>3,114,106</u>	<u>2,704,180</u>	<u>409,926</u>
Expenses:			
Water purchases	988,224	974,455	(13,769)
Salaries, taxes and benefits	626,614	662,147	35,533
Maintenance and repairs	159,533	201,569	42,036
Other expenses	259,696	189,875	(69,821)
Depreciation	311,193	280,735	(30,458)
Interest on debt	96,263	97,529	1,266
Total Expenses	<u>2,441,523</u>	<u>2,406,310</u>	<u>(35,213)</u>
Changes in Net Position	672,583	297,870	374,713
Net Position, Beginning	<u>5,964,088</u>	<u>5,666,218</u>	<u>297,870</u>
Net Position, Ending	<u>\$ 6,636,671</u>	<u>5,964,088</u>	<u>672,583</u>

The District's total revenues increased by 15.2 percent (\$409,926). The total cost of all services (expenses) increased by 1.4 percent (\$35,213).

Capital Assets

At December 31, 2022, the District had \$5,221,634 invested in capital assets, net of depreciation, including buildings, the water system, vehicles and equipment. The District added \$213,733 of capital assets in 2022, which included some water system improvements, a bobcat, a truck, and some meter reading upgrades.

Long-Term Debt

The District was indebted to Rural Development for a \$3,445,220 note obtained for extensive extensions and improvements. This note has an interest rate of 3.375% and scheduled monthly payments of \$13,092. The outstanding balance at year-end was \$2,799,719.

Economic Factors and Next Year's Budget and Rates

The District may be forced to make further increases if additional increases are made by their water sources.

The District will continue to make further water system expansions and improvements with the loan proceeds, which are needed by increased demands on the current system.

The District's budget for fiscal year 2023 will remain much like previous years budgets.

Contacting the District's Management

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at P.O. Box 340, Mounds, OK 74047 or call (918) 827-6350.



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Okmulgee County Rural Water District No. 6
Mounds, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Okmulgee County Rural Water District No. 6 (the District), Mounds, Oklahoma, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

January 27, 2023

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6
Disposition of Prior Year's Significant Deficiencies
December 31, 2022

There were no prior year significant deficiencies.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6
Schedule of Audit Results, Findings and Questioned Costs
December 31, 2022

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion was issued on the financial statements.
2. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

NONE

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6

Statement of Net Position

December 31, 2022

<u>ASSETS:</u>	<u>2022</u>	<u>-Memorandum- -Only- 2021</u>
Current Assets:		
Cash and cash equivalents	\$ 1,856,829	\$ 1,478,536
Investments	110,912	110,638
Accounts receivable	194,791	171,142
Prepaid assets	25,378	24,606
Total current assets	2,187,910	1,784,922
Restricted Assets:		
Construction accounts	902,449	763,005
Depreciation account	1,017,582	943,881
Rural Development reserve	161,028	161,028
Total restricted assets	2,081,059	1,867,914
Capital Assets:		
Land	3,294	3,294
Buildings	271,549	271,549
Plant and water systems	9,299,927	9,204,746
Other capital assets	895,649	777,097
Total capital assets	10,470,419	10,256,686
Less: accumulated depreciation	(5,248,785)	(4,937,592)
Total capital assets	5,221,634	5,319,094
Total Assets	\$ 9,490,603	\$ 8,971,930
 <u>LIABILITIES:</u>		
Current Liabilities:		
Accounts payable	\$ 13,619	\$ 106,688
Accrued liabilities	40,594	39,948
Current portion of long-term debt	63,591	61,484
Total current liabilities	117,804	208,120
Noncurrent Liabilities:		
Long-term debt	2,736,128	2,799,722
Total Liabilities	2,853,932	3,007,842
 <u>NET POSITION:</u>		
Net investment in capital assets	2,421,915	2,457,888
Restricted	2,081,059	1,867,914
Unrestricted	2,133,697	1,638,286
Total Net Position	6,636,671	5,964,088
Total Liabilities and Net Position	\$ 9,490,603	\$ 8,971,930

The accompanying notes to the financial statements are an integral part of this statement

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended December 31, 2022

	2022	-Memorandum- -Only- 2021
Operating Revenues:		
Water sales	\$ 2,639,263	\$ 2,356,825
Fees and fines	194,238	165,787
Refunds/reimbursements	59,728	41,291
Total revenue from operations	2,893,229	2,563,903
Operating Expenses:		
Water purchases	988,224	974,455
Salaries and benefits	436,253	436,063
Payroll taxes	35,680	35,519
Employee retirement	9,118	15,455
Group health insurance	145,563	148,110
Repairs and maintenance	103,549	156,155
Vehicle expense	27,624	20,146
Telephone	11,484	11,287
Insurance	50,234	49,628
Dues and fees	25,540	27,269
Office expense and postage	54,174	38,447
Depreciation	311,193	280,735
Professional fees	49,709	46,321
Utilities	39,516	37,181
Contract labor	28,360	25,268
Miscellaneous	29,039	6,742
Total expenses from operations	2,345,260	2,308,781
Operating Income (Loss)	547,969	255,122
Non-Operating Revenues (Expenses):		
Benefit unit sales	218,730	138,240
Interest income	2,147	2,037
Interest paid on long-term debt	(96,263)	(97,529)
Total Non-Operating Revenues (Expenses)	124,614	42,748
Change in Net Position	672,583	297,870
Total Net Position, beginning of period	5,964,088	5,666,218
Total Net Position, end of period	\$ 6,636,671	\$ 5,964,088

The accompanying notes to the financial statements are an integral part of this statement

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6

Statement of Cash Flows For the Year Ended December 31, 2022

	2022	-Memorandum- -Only- 2021
Cash Flows from Operating Activities:		
Receipts from customers	\$ 2,869,580	\$ 2,571,083
Payments to employees	(436,253)	(436,063)
Payments to vendors	(1,691,009)	(1,592,382)
Net Cash Provided by Operating Activities	742,318	542,638
Cash Flows from Capital and Related Financing Activities:		
Sale (purchase) of capital assets	(213,733)	(181,681)
Memberships purchased	218,730	138,240
Principal paid on long-term debt	(61,488)	(59,449)
Interest paid on long-term debt	(96,536)	(97,964)
Net Cash Provided by (used in) Capital and Related Financing Activities	(153,027)	(200,854)
Cash Flows from Investing Activities:		
Additions to restricted assets	(213,145)	(227,802)
Interest earned on investments	2,147	2,037
Net Cash Provided by (used in) Investing Activities	(210,998)	(225,765)
Net Increase (Decrease) in Cash	378,293	116,019
Cash and cash equivalents, beginning of period	1,478,536	1,362,517
Cash and cash equivalents, end of period	\$ 1,856,829	\$ 1,478,536
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 547,969	\$ 255,122
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	311,193	280,735
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(23,649)	7,180
(Increase) decrease in prepaid insurance	(772)	916
Increase (decrease) in accounts payable	(93,069)	(1,189)
Increase (decrease) in accruals	646	(126)
Net cash provided by operating activities	\$ 742,318	\$ 542,638

The accompanying notes to the financial statements are an integral part of this statement

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6
Mounds, Oklahoma
Notes to the Financial Statements
December 31, 2022

Note A – Significant Accounting Policies

Nature of Organization

The Okmulgee County Rural Water District No. 6 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Section 1324.1 – 1324.35 and the Laws of the State of Oklahoma. The purpose of this District is to provide water services to users. The District is exempt from federal and state income taxes. The membership consists of approximately 3,660 members. The Board of Directors consists of seven members, listed on page 1. All Board members serve three-year terms.

Reporting Entity

The District is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges. The District purchases its water from the City of Tulsa and the City of Okmulgee.

Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Depreciation expense is provided for capital assets based upon estimated useful lives. Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6
Mounds, Oklahoma
Notes to the Financial Statements
December 31, 2022

Note A – Significant Accounting Policies – cont’d

Deposits and Investments

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers’ acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Bank deposits are held at several financial institutions and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Custodial Credit Risk - At December 31, 2022 the District held deposits of approximately \$4,066,656 at financial institutions. The District’s cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District’s name.

Investment Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk – The District has no policy that limits its investment choices other than the limitations of state law, as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6
Mounds, Oklahoma
Notes to the Financial Statements
December 31, 2022

Note A – Significant Accounting Policies – cont’d

- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a-d).

The investments held at December 31, 2022 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 3,795,716	3,795,716
Certificates of deposit	1.0 Yrs	N/A	270,940	270,940
Total Deposits			\$ 4,066,656	4,066,656

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 7% in Certificates of Deposit (\$270,940) and 93% in Money Market funds (\$3,795,716).

Fair Value of Financial Instruments – The District’s financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District’s estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair values because of the short maturity of these instruments.

Accounts Receivable

Billings for accounts receivable at December 31, 2022 were \$194,791. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

Memorandum Totals

The “Memorandum Only” captions above the total columns mean that amounts are presented for comparison and information purposes only.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6
Mounds, Oklahoma
Notes to the Financial Statements
December 31, 2022

Note A – Significant Accounting Policies – cont’d

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance, including workers compensation, for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions of enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Capital Assets

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a capital asset by the District, and will be depreciated over a specific time. Capital assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives of these assets are as follows:

Land	N/A
Office furniture & fixtures	3-10 years
Equipment & tools	5 years
Transportation equipment	5 years
Water & sewer system	50 years
Buildings	25 years

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6
Mounds, Oklahoma
Notes to the Financial Statements
December 31, 2022

Note A – Significant Accounting Policies – cont’d

The capital asset information for the District is shown below:

	12/31/2021 Amount	Additions	Deletions	12/31/2022 Amount
Land	\$ 3,294	-	-	3,294
Buildings	271,549	-	-	271,549
Plant and water sys.	9,204,746	95,181	-	9,299,927
Vehicles and equip.	777,097	118,552	-	895,649
Total Capital Assets	10,256,686	213,733	-	10,470,419
Less: Accumulated Depreciation	(4,937,592)	(311,193)	-	(5,248,785)
Total	<u>\$ 5,319,094</u>	<u>(97,460)</u>	<u>-</u>	<u>5,221,634</u>

Note B – Long-Term Debt

Long-Term Debt consists of one 2012 note to the Office of Rural Development for water system expansion and improvements. This note is for a total of \$3,445,220, at a rate of 3.375%. The District is required to make monthly payments of \$13,092 on this note, and began making payments in 2012. At December 31, 2022, the outstanding balance was \$2,799,719.

Balance, January 1, 2022	\$ 2,861,206
Less: Principal paid	<u>(61,487)</u>
Balance, December 31, 2022	<u>\$ 2,799,719</u>

In compliance with Rural Development loan covenants, the certificate of deposit held at Triad Bank (\$161,028) is held by the District as a reserve investment. Twelve monthly payments on the note totals \$157,104, thus the reserve requirement has been met.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6
Mounds, Oklahoma
Notes to the Financial Statements
December 31, 2022

Note B – Long-Term Debt – cont’d

The scheduled maturities for future years, based on the current balance, are detailed as follows:

2023	\$ 63,591
2024	65,771
2025	68,025
2026	70,357
2027	72,769
2028-32	403,012
2033-37	476,982
2038-42	564,529
2043-47	668,144
2048-53	<u>346,539</u>
Total	<u>\$ 2,799,719</u>

Note C – Employee Retirement Plan

The District has adopted a simplified employee pension (SEP) plan, which is self-directed and noncontributory. The District contributes 4% of the employee gross pay of each qualifying employee. Employees are eligible for the plan after two years of full-time employment and have attained the age of twenty-one years. The contribution by the District is computed and paid once a year, normally in December. For the 2022 fiscal year, the District contributed \$9,118

Note D – Subsequent Events

Management has evaluated subsequent events through January 27, 2023, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

OKMULGEE COUNTY RURAL DISTRICT NO. 6
Schedule of Water Rates and Customers
-Unaudited Information-
December 31, 2022

Water Rates

0 gallons	=	\$24.00 minimum bill
1 – 7,000 gallons	=	\$6.35 per 1,000 gallons
7,001 – 20,000 gallons	=	\$6.55 per 1,000 gallons
20,001 – 30,000 gallons	=	\$8.00 per 1,000 gallons
Over 30,000 gallons	=	\$9.00 per 1,000 gallons

Water Loss

	<u>2022</u>	<u>2021</u>
Total gallons purchased	277,322,370	260,049,580
Total gallons sold to District customers	(227,441,160)	(204,512,137)
Total water loss	<u>49,881,210</u>	<u>55,537,443</u>
Percentage of water loss	<u>17.99%</u>	<u>21.36%</u>

Customers

The District had 3,661 customers at the close of the fiscal year.

Current membership/tap fee is \$3,000 per meter sign up.